

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF NOLIN RURAL)	
ELECTRIC COOPERATIVE CORPORATION)	
OF ELIZABETHTOWN, KENTUCKY, FOR AN)	CASE NO. 10382
ORDER AUTHORIZING THE CREATION OF)	
INDUSTRIAL RATES)	

O R D E R

On September 9, 1988, Nolin Rural Electric Cooperative Corporation ("Nolin") filed an application requesting Commission approval of Industrial Rate Schedules 9, 10, and 11. The purpose of Nolin's proposed rates is to provide for more competitive industrial and large power retail rates for customers whose load factors are less than 60 percent.¹ These rates will be coordinated with the wholesale power tariff of East Kentucky Power Cooperative, Inc. ("EKPC") approved by the Commission in Case No. 10369.²

Nolin's proposed Industrial Rates include demand charges that are identical to the wholesale demand charges in EKPC's Section B. Furthermore, Nolin has applied an eight (8) mill adder to the wholesale energy charge on Schedule 9, a three (3) mill adder to the wholesale energy charge on Schedule 10, and a two (2) mill adder to the wholesale energy charge on Schedule 11. Nolin

¹ Response to the Commission Order dated November 14, 1988, Item 1.

² Case No. 10369, The Notice of East Kentucky Power Cooperative, Inc. of a Revision to its Wholesale Electric Power Tariff.

contends that these energy adders provide for fixed distribution costs and allow for a contribution to margins.

Because Nolin has presented little evidence to support the amount of these energy adders,³ the Commission is reluctant to approve the proposed schedules. However, since Nolin's proposed Industrial Rates will be coordinated with EKPC's Section B rates, which were recently approved, the Commission believes that the proposed rates should be approved provided their implementation is carefully monitored. One year from the date of this Order, Nolin should report to the Commission on the effects of these new rates. Nolin's report should identify each customer served under Industrial Rate Schedules 9, 10, and 11, its associated load, and whether it is a new customer or an existing customer who switched from a current rate schedule. The report should further identify the current rate schedules under which existing customers were being served prior to their switch to a new schedule and the current rate schedule under which a new customer would have been served had Industrial Rate Schedules 9, 10, and 11 not been approved. Last, the report should compare the revenues received under the new Industrial Rates with the revenues that would have been received, given identical circumstances, under the appropriate current rates.

In the future, Nolin should submit with any application for Commission approval of new rates workpapers which explain in detail how the rates were determined and should fully document the

³ Response to the Commission Order dated November 14, 1988, Item 2.

proposed rates' impact on the cooperative's net income. Failure to submit this material will adversely affect the outcome of its application.

The Commission, having considered the evidence of record and being advised, is of the opinion and finds that Nolin's Industrial Rate Schedules 9, 10, and 11 should be accepted. The Commission is further of the opinion that the implementation of these rates should be monitored to ensure against any negative impact the rates might have on Nolin's other ratepayers.

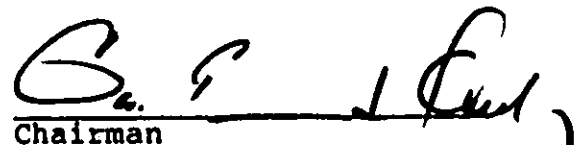
IT IS THEREFORE ORDERED that:

1. Nolin's Industrial Rate Schedules 9, 10, and 11 as filed on September 9, 1988 be and hereby are accepted. Nolin shall file with the Commission signed copies of the tariffs within 20 days of the date of this Order.

2. Nolin shall file with the Commission a report one year from the date of this Order containing the information described herein.

Done at Frankfort, Kentucky, this 11th day of April, 1989.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

ATTEST:

Executive Director


Commissioner